

89th CONGRESS
1st SESSION

IN THE HOUSE OF REPRESENTATIVES

A BILL

To provide certain increases in annuities payable from the Central Intelligence Agency Retirement and Disability Fund, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Section 291 of the Central Intelligence Agency Retirement Act of 1964 for Certain Employees (50 U.S.C. 493 note) is amended to read as follows:

"SEC. 291. (a) On the basis of determinations made by the Civil Service Commission pursuant to Section 18 of the Civil Service Retirement Act, as amended, pertaining to per centum change in the price index, the following adjustments shall be made:

"(1) Effective December 1, 1965 each annuity payable from the fund which has a commencing date not later than December 1, 1965 shall be increased by (a) the per centum rise in the price index, adjusted to the nearest one-tenth of 1 per centum, determined by the Commission on the basis of the annual average price index for calendar year 1962 and

the price index for the month of July of calendar year 1965, plus (b) 1 1/2 per centum. The month of July of calendar year 1965 shall be the base month for determining the per centum change in the price index until the next succeeding increase occurs.

"(2) Effective the first day of the third month which begins after the price index shall have equaled a rise of at least 3 per centum for three consecutive months over the price index for the base month, each annuity payable from the fund which has a commencing date not later than such effective date shall be increased by the per centum rise in the price index (calculated on the highest level of the price index during the three consecutive months) adjusted to the nearest one-tenth of 1 per centum.

"(b) Eligibility for an annuity increase under this section shall be governed by the commencing date of each annuity payable from the fund as of the effective date of an increase, except as follows:

"(1) Effective from its commencing date, an annuity payable from the fund to an annuitant's survivor (other than a child entitled under Section 221(c)), which annuity commences the day after annuitant's death and after December 1, 1965,

shall be increased by the total per centum increase the annuitant was receiving under this section at death.

"(2) For purposes of computing an annuity which commences after December 1, 1965 to a child under Section 221(c), the items \$600, \$720, \$1,800, and \$2,160 appearing in Section 221(c) shall be increased by the total per centum increase allowed and in force under this section and, in case of a deceased annuitant, the items 40 per centum and 50 per centum appearing in Section 221(c) shall be increased by the total per centum increase allowed and in force under this section to the annuitant at death.

"(c) The term 'price index' shall mean the Consumer Price Index (all items--United States city average) published monthly by the Bureau of Labor Statistics. The term 'base month' shall mean the month for which the price index showed a per centum rise forming the basis for a cost-of-living annuity increase.

"(d) No increase in annuity provided by this section shall be computed on any additional annuity purchased at retirement by voluntary contributions.

"(e) The monthly installment of annuity after adjustment under this section shall be fixed at the nearest dollar, except that such installment shall after adjustment reflect an increase of at least \$1."

JUSTIFICATION AND EXPLANATION

1. Purpose. The purpose of the proposed legislation is to provide for the adjustment of annuities on the basis of monthly Consumer Price Index indicators and to accelerate the cost-of-living adjustment of annuities under the Central Intelligence Agency Retirement Act of 1964 for Certain Employees.

2. Background Statement. The Central Intelligence Agency Retirement Act of 1964 authorizes automatic cost-of-living adjustments on the basis of Consumer Price Index rises by an annual average of 3 per centum or more for a calendar year and establishes 1 April 1966 as the earliest effective date for the first such annuity increase. The automatic adjustment principle was incorporated into the Civil Service Retirement Act in 1962. The Civil Service Retirement Act automatic adjustment provision was incorporated into the Central Intelligence Agency Retirement Act when it was passed in 1964. The Senate Report supporting the bill to provide for the Central Intelligence Agency Retirement System states that the Senate Committee "...adopted new language authorizing increases in the retired pay of annuitants based upon the identical system now in effect for retired Civil Service employees providing for periodic increases in retired pay based on minimum 3 per centum advances in the Consumer Price Index." (88th Congress, Second Session,

Senate Report 1589.) Similar reference to this cost-of-living feature was made during Senate consideration of the amended bill which became law. At the time a similar basis for adjustment existed for the benefit of military members of the Armed Forces.

3. Recent Congressional Consideration. Recently, the 89th Congress, at the request of the Secretary of Defense, amended the cost-of-living provision affecting military retirees. This amendment gears increases to monthly rather than average calendar year Consumer Price Indexes and accelerates the cost-of-living adjustment due on 1 April 1966 to a more current date. This amendment has become law (P.L. 89-132). Similar legislation for the benefit of civil service retirees has passed the House of Representatives and has been favorably reported out of the Senate Committee. The Chairman of the Civil Service Commission has stated his support for this legislation. Similar legislation is also being processed for the benefit of foreign service personnel under the Foreign Service Retirement System.

4. Justification. The proposed amendment will assure that the cost-of-living adjustment provision of the Central Intelligence Agency Retirement System is consistent with Administration policy supporting a revised method of determining cost-of-living increases for civil service and military retirees.

The proposed amendment will also assure that uniform cost-of-living provisions are maintained for the Civil Service, Military, and Central Intelligence Agency Retirement Systems.

5. Cost Estimates. It is estimated that the annuities of 30 retirees and 3 survivors would be affected by the proposed initial annuity increase of 6.1 per cent. Based on an average retiree annuity of \$6,000, the annual increase per annuitant would be \$366, making a total of \$10980 for the entire group of retirees. Based on an average survivor annuity of \$3300, the annual increase per annuitant would be \$201, making a total of \$603 for the entire group. Thus the total additional cost of the proposed initial increase of 6.1 per cent would be \$11,583 per year.

However, the first-year cost would be somewhat less since the increase would apply only to the seven-month period from December 1965 through June 1966. On this basis, the first-year cost would be 7/12 of the annual cost, or \$6,755.

In the absence of actuarial experience under the CIA retirement system on which to base a long range estimate, the current estimate of annual cost has been projected on a full year basis over fiscal years 1967 through 1970 for a total of \$46,332. This figure added to the FY 1965 estimate of \$6,755 produces an estimated additional cost of \$53,087 for

the first five fiscal years during which the proposed initial increase would apply.

There appears to be no feasible basis for estimating the additional costs which might result from further annuity adjustments based on the revised formula for granting future cost-of-living increases.